



**The internationalization process through Dubai, United Arab Emirates
OleoTest® Case**

by

Joana Fidalgo Fonseca Matias

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Advised by

Prof. Miguel José Ferros Pimentel Reis da Fonseca

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Biographical Note

Joana Fidalgo Fonseca Matias was born in Vila Real on June 9, 1993. Graduated in Economics by the Faculty of Economics of Porto (FEP) in September 2014. In the following month, she entered the Master in Economics of the same faculty, with the intent of continuing increasing her knowledge on this area.

Always fascinated with the internationalization area, Joana found in Castro, Pinto & Costa Lda. the opportunity to increase her knowledge and to gain professional experience.

Between October of 2015 and March 2016, she developed a curricular internship at that SME, which lead to the development of the present report.

Abstract

Considering that “What drives the international success or failure of firms is a question central to the fields of strategy and international business” (Peng, 2004), the main aim of this study is to understand the specificities of the internationalization process to the United Arab Emirates, and to develop a strategic export plan for a particular company.

This report is a result of the curricular internship developed in “Castro, Pinto & Costa, Lda.” (CPC) between October 2015 and March 2016, and its motivation lies on the expansion projects of the firm through the export of OleoTest®. This product is a groundbreaking solution for the quality control of frying oils as it measures, in an efficient and quick way, the amount of polar compounds present in the frying oil sample, and it is mainly marketed in a Business-to-Business approach, which will be maintained.

In order to achieve the proposed goals, a qualitative methodology was pursued, as it presents the best option for identifying the similarities and differences between the theoretical studies of internationalization, and practical information of the case at hand.

An interview with Câmara de Comércio e Indústria Árabe-Portuguesa was also developed in order to understand in a detailed way the relationships between Portugal and the United Arab Emirates, along with the internationalization process of a small firm into the Arab countries.

JEL Codes: F23, L26, M10, M16

Keywords: Internationalization, SMEs, Internationalization Strategy, Export Barriers, Castro, Pinto & Costa, Lda. (CPC), OleoTest®

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Abbreviations

ASAE – Autoridade de Segurança Alimentar e Económica

B2B – Business to Business

B2C – Business to Consumer

CCIAP – Câmara de Comércio e Indústria Árabe-Portuguesa

CEO – Chief Executive Office

CIF – Cost, Insurance and Freight

CPC – Castro Pinto & Costa, Lda.

ESMA – Emirates Authority for Standardization and Metrology

FDI – Foreign Direct Investment

FEP – Faculdade de Economia e Gestão

FFA – Free Fatty Acids

FTZ – Free Trade Zones

GCC – Gulf Cooperation Council

GDP – Gross Domestic Product

HORECA – Hotels, Restaurants, and Catering

MFN – Most Favoured Nation

MNE – Multinational Enterprises

OT – OleoTest®

PESTLE - Political, Economic, Social, Technological, Legal and Environmental factors analysis

SME – Small and Medium Enterprise

TPM – Total Polar Materials

UAE – United Arab Emirates

WTO – World Trade Organization

1. Introduction

The curricular internship that resulted in this report was developed, from October 2015 to March 2016, in “Castro, Pinto & Castro, Lda.” (CPC), a company founded in 2000 as a spin-off from University of Minho whose key product is OleoTest® (OT).

Indeed, OT was developed to control food oils quality and it is a cheap and fast method to evaluate the presence and quantity of polar compounds (very harmful for the human health), being used by official entities in inspection actions and in the HORECA business field. With the intent of continuing its internationalization process, CPC turned attention to a fast growing market - the Middle East.

With the Arab Spring news circulating all around us, we cannot deviate our attention from this part of the world, that is trying to evolve from conservative, closed and dictatorship states to international business attraction centers (Pahwa & Winegar, 2012). Despite those events, foreign direct investment (FDI) has been at the core of regional economic integration since 2000, showing that there is still confidence in the Middle East’s attractiveness as an investment destination. Solid fundamentals, strong demographics and Government willingness to improve the growth prospects are the main characteristics that firms consider most when they decide to invest in the Middle East region (Hertog, 2007). Otherwise, the characteristics of the population (one of the youngest and wealthiest in the world), allied with the availability of extensive natural resources and namely the increasing oil prices have established considerable budget surpluses among the Arab oil exporters, which have helped governments to increase their spending on infrastructure such as Hospitals, Hotels, etc. (Kinninmont, 2010). Thus, these developments became my main motivation for developing an internship report about the internationalization process to Dubai, United Arab Emirates.

In this context, the main purpose of this internship is to propose a market entry plan for CPC, by identifying distribution channels, exhibitions/fairs, potential distributors and customers in that country. This study is particularly relevant, as the company feels the national market is saturated and has established as its next goal the internationalization of OT to fast growing countries.

Therefore, the analysis of the Arab market along with the usual proceedings and export regulations to the United Arab Emirates, such as tariff codes and taxation, will be gathered and analyzed specifically for OleoTest®. As OT operates in a Business-to-Business (B2B) market, which means CPC sells the product to another business as it will be used for its production process, the e-commerce and the trade fairs have a significant importance for this product's marketing. At the end, it is expected that the company has collected enough information, allowing it to develop a strategic plan to start exporting to Dubai.

This study intends to contribute to the scientific investigation, as it applies internationalization theories to a specific real SME operating in a B2B framework, in which the literature is limited, and it is structured as follows. Chapter 2 focuses in the literature review, including the analysis of the most relevant theories and other relevant themes in this field, as internationalization in B2B markets, entry modes, export internationalization barriers and socio-cultural factors. The next chapter includes a brief description of the internship, in which the company and the product are featured. Chapter 4 describes the methodology adopted in this project, while Chapter 5 consists of the PESTLE analysis made for Dubai as well as of a description of the economic and cultural relations between Portugal and the UAE. In the same section, we analyze the interview made to Câmara de Comércio e Indústria Árabe-Portuguesa (CCIAP) and the standards and technical regulations needed for OleoTest® exports to the Arab countries. Finally, section 6 presents the main conclusions of this report and it also contains a critical identification of its limitations.

2. Literature Review

In this chapter, which is divided in six parts, we conduct a literature review on the topics regarding internationalization. In Section 2.1., the main internationalization theories are presented, followed by the analysis of the international entrepreneurship theory in Section 2.2. Then the internationalization process in B2B markets is analyzed in Section 2.3, while in the following sections, the entry modes into new markets are studied as well as the main export barriers. The chapter ends with a brief discussion about the impact of socio-cultural factors on the internationalization theory.

2.1. Internationalization Literature Review

Internationalization is the geographical expansion of economic activities over a national country's borders. Marketing, strategic management and organization theory are just examples of different viewpoints analyzed by this new trend (Tahir & Mehmood, 2010). The growth of low-cost technology connecting people and locations, free-trade agreements and the widespread economic restructuring and liberalization are the forces pointed out as the main drivers of the internationalization phenomenon (Acs, Morck, & Yeung, 2001). After a firm is well established in its national market, a new stage might occur - internationalization, for which companies look as a way to remain competitive in the globalized market (Brei, d'Avila, Camargo, & Engels, 2011). The firm will begin the process of adapting its activity to the international environment, implying diversified organizational and strategic changes, for example the creation of an export department or the hiring of internationally experience executives (Calof & Beamish, 1995).

According to the Article 2 of the Annex of Recommendation 2003/361/EC (Verheugen, 2003), "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro", what implies Castro, Pinto & Costa, Lda. is a SME as it has only 9 employees.

Small and medium enterprises are a new trend in the internationalization sphere as they are characterized for the innovation of products and new technologies. The positive rising of this firms seems to be related with the adoption of new technologies, as well as to the service sector growth, and also with deregulation and cultural changes (Carree, Van Stel, Thurik, & Wennekers, 2002). On the other hand, these firms face some obstacles which are inexistent or easily overcome by the multinational enterprises, as the lack of resources and capabilities due to internationalization strategy complexity (Knight, 2001).

Several theories were developed related to the firm's internationalization process, such as the Stage Models (the Uppsala Model and the Innovation-related Models), the Electic Paradigm, the Network approach and the International Entrepreneurship Model, that are briefly analyzed in this report.

Starting with the Uppsala Model (U-model), it explains how the companies gradually increase their dedication to the foreign markets. According to Johanson and Vahlne (1977), the internationalization process requires the development of knowledge about foreign markets and operations as well as a commitment to resources. The U-model can explain two patterns of the firm's internationalization process: the establish chain that is composed by four stages and the reason why the firms enter new markets with successively greater psychic distance (Johanson & Vahlne, 1977). The four-step model is fully dependent of the firm's market and of its market knowledge (Zohari, 2008). The first step is the sporadic export and its followed by the export via independent representative; the third one is the establishment of a sales subsidiary in the target market and the last stage is the foreign production (Hollensen, 2007). Being psychic closer does not mean to be geographically closer, as wells as the U-model explains that physic distance is not a constant variable since it is influenced by the evolution of the communication system, trade and other types of social exchange such as political decisions (Górska, 2013).

The other stage model is the Innovation-related (I-model), which implies that the decision of internationalization provides a new perspective and so it is an innovative process to the firm (Bilkey & Tesar, 1977). Also known as I-Model, it explains the mechanism of "push" and "pull" that affect the decision of internationalization. The first one is a an external force that encourages the start of exporting, while the "pull"

mechanism is internal and illustrates the evolution of the firm from one step to the other (Lin, 2010). The internationalization process according to the I-models can be organized into three main stages, taking into account the export ratio in proportion to the turnover of the enterprise: pre-export, export trail and advanced export stage. In the first stage, the entrepreneur has only interest in the domestic market, nevertheless the company starts to search for relevant information and analyze the feasibility of export activities. In the export trail stage, the company exports sporadically and in the last stage the exports are regular and other forms of commitments to international markets (Leonidou & Katsikeas, 1996) are developed.

These two approaches state that the internationalization process is slow, explained by the lack of knowledge about foreign markets and other factors (Madsen & Servais, 1997).

The Eclectic Paradigm was proposed by Dunning (1988) and it has been one of the leading theories of international activity, as it is adaptable to different sectors. This paradigm states that FDI only occurs when three forces are present: ownership, location and internalization advantages, and it arises due to the inadequate explanation of the classical internationalization theories of intra-industry trade. According to this theory, Ownership includes two different sources of competitive advantages: the firm-specific technology and the ability to create new technologies or to manage foreign activities. The location advantages are associated with the decision of firms choosing to locate their activities in a foreign country. Government incentives, low price raw materials and low-cost labor in the host country can induce the company to exploit its ownership advantages by engaging in FDI. The internalization advantages represent the benefits that firms will accomplish from internalizing operations instead of producing them through a partnership arrangement. Reduction of transaction costs, control over operations and tariffs avoidance are examples of these advantages (Dunning, 1988).

The Network Approach presents the internationalization as a dependent process on the relation and corporate networks (Johanson & Vahlne, 2009). This theory argues that, as the firm starts to invest in foreign markets, its business network will increase in strength and also in the number of relationships (Johanson, Mattsson, Hood, & Vahlne, 1988). One of the reasons for a company to start the internationalization process is because other firms in its national network are already present in other markets. This

can be explained by the need of coordination between the companies which might lead to a stable or to a changing network, in both, relationships are continually being created or disrupted (Buckley & Ghauri, 1999). The internationalization process occurs through three steps: extension, penetration and integration, and it is also influenced by the type of network, e.g. strong relationships between several foreign networks will lead to an higher degree of internationalization (Buckley & Ghauri, 1999).

According to Johanson et al. (1988), companies can be divided into four groups, that are presented in Table 1, depending on their environment's internationalization. The "early starter" has small knowledge of foreign markets and it cannot use relationships in home country to gain it. Therefore, the enterprise uses agents or distributors abroad to internationalize. In the case of the "late starter", the firm's competitors, suppliers and customers are already international, and its relationships in home market may drive it to enter in foreign markets. The closest markets might be more difficult to enter (as the competitors have more knowledge), so the company might start its internationalization by more distant countries. The "lonely international" has experience of relationships with and in foreign countries, but its network is only lowly internationalized. Finally, the firm "international among others" has its suppliers belonging to highly internationalized networks, which allows the firm to use positions in one net for bridging over the other nets (Johanson et al., 1988).

Table 1: The Network approach of Internationalization

DEGREE OF INTERNATIONALIZATION OF THE MARKET			
DEGREE OF INTERNATIONALIZATION OF THE ENTERPRISE	LOW		HIGH
	LOW	The early starter	The late starter
	HIGH	The lonely international	The international among others

Source: Johanson et al. (1988)

2.2. International Entrepreneurship

To turn a SMEs' internationalization process into a success, the firms need to act strategically, which means the entrepreneurial and strategic thinking should also be integrated into the internationalization literature. "Entrepreneurs can be seen as strategists who find a match between what a firm can do (organizational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats)" (Matlay, Ruzzier, Hisrich, & Antoncic, 2006). International entrepreneurship is a "combination of innovative, risk-seeking behavior that crosses national borders and is intended to create value in organization" (McDougall & Oviatt, 2000), or according to Knight (2001), "international entrepreneurial orientation is a fundamental corporate posture, contributing strongly to the international performance of the SME."

The rapid technological change and the globalization of competition that leads to the expansion of the market opportunities, have stimulated the development of the international entrepreneurship view (Etemad & Lee, 2003).

This approach is focused on the propensity of small young firms to internationalize, the differences between the international new firms performances and the demographic and cognitive characteristics of individual entrepreneurs and their actions in the course of internationalization (Keupp & Gassmann, 2009). The internationalization of a firm is seen as an entrepreneurial decision led by an entrepreneur possessing the capacity to adapt to different contexts, to learn new concepts and with the ability to manage complex networks (McDougall & Oviatt, 2000). According to Birley & Westhead (1993), the entrepreneur will bring to the new company two key assets: the experiences and the networks. The contacts in the networks are very important as they allow the recruitment of qualified employees and the establishment of relations with future investors (Shane & Cable, 2002).

The traditional international business literature indicates that cultural difference is a major impediment to the international expansions of firms, but when the empirical evidences are analyzed, the conclusions are so clear (Turnbull, 1987). The significant cost involved in adapting and marketing a product to a different culture means that firms might decide to first focus in their respective home markets before increasing their international activities. However there are the "born global" companies, that at an

early stage start to expand into international markets, overcoming cultural and socio-institutional constraints inherent to different countries (Fan & Tan, 2015).

We can also say that consumption of some products can be more sensitive to the culture of a particular international market than others, and consequently it would affect its sales in different international markets (Fan & Tan, 2015).

2.3. Internationalization in B2B markets

Business-to-business (B2B) refers to business that is conducted between companies, rather than between a company and individual consumers. Thus the marketing in this type of market must be different than in the Business-to-Consumer (B2C) environment.

The internet has been an important and competitive new form of transaction for B2B companies. The option of choosing different language and the availability of relevant information are just two practical examples of competitive advantages in the B2B marketing regarding internationalization of the firm. Even though e-internationalization facilitates negotiation, improves the supply chain management and creates new virtual market places and communities, B2B firms put at risk the control of their intellectual property (Samiee, 2008).

Trade shows have become an important marketing strategy in internationalization of Small and Medium Enterprises, especially in B2B markets, and can be defined as “events that bring together, in a single location, a group of suppliers who set up physical exhibits of their products and services from a given industry or discipline” (Black, 1986). Besides being an efficient cost mechanism as it allows a concentration in the same place of a large number of potential clients and suppliers, trade shows also enable the creation of long lasting relationships between entrepreneurs and the outside world (Donckels & Lambrecht, 1997). As this type of fairs “function as temporary hubs that stimulate processes of knowledge creation and dissemination.” (Maskell, Bathelt, & Malmberg, 2006), start-up firms should not see it as selling opportunities, but as an entry-point into networks that might lead to future sales (Matthyssens, Kirca, Pace, Evers, & Knight, 2008).

As Ames (2001) stated “It takes superior knowledge of the market and the economics of the business, along with a healthy dose of good business judgment, to be an effective marketing executive in the industrial world.” The success of the marketing strategy relies on the skills related to the specific industrial situation of the company, reliable information obtainment and the strategic planning execution (Ames, 2001).

2.4.Entry Modes

“Entry strategy for international markets is a comprehensive plan. It sets forth the objectives, goals, resources and policies that will guide a company’s international business operations over a future period long enough to achieve sustainable growth in world market.” (Root, 1998). The choice of the entry mode into a foreign country is a critical commitment and can be considered a strategic decision that needs to be made according to the objectives and goals in the target market, the marketing plan and the control system over the target country.

There are two main entry modes: the company can export its products to a foreign market or it can transfer its resources, such as capital, human skills or technology to the target country, where they will be sold directly to the clients or mixed with local assets. Otherwise, these two forms can be divided into different entry modes: Export (indirect, direct agent, direct branch, other), contractual agreements (licensing, franchising, technical agreements, service contracts, management contracts, construction contracts, contract manufacture, co-production agreements, other) and investment (sole venture new establishment, sole venture acquisition, joint venture, other) (Root, 1998).

In the first case, we can consider indirect, direct agent or direct branch. Indirect exporting happens when the company decides to sell through domestic intermediaries, as opposed to direct export channels, where there is a direct link between the marketing agencies, domestic manufacturing company and the final buyers. In the indirect exports, the risk is minor, but at the same time the control over the operations is also lower (Root, 1998).

Contractual arrangements happen when domestic intangible assets become available to foreign companies, and the domestic companies receive in return a fee, usually in form of royalties (Root, 1998). This entry mode is more suitable for markets with high entry barriers, such as quotas and tariffs, what makes exporting a non-viable strategy (Gooderham, Gooderham, & Grøogaard, 2013).

The third main entry mode is the investment option. Besides the development of the investment project, there is also the need to evaluate the environment in the target market, which explains the complexity of this particular entry mode. Nevertheless, the foreign direct investment has several advantages, such as lower costs (transportation, custom duties, and manufacturing costs) of supplying a foreign country when compared to exporting, marketing advantages since it allows a better adaptation of products features to the consumers' preferences, and it also offers to the firm the possibility to offer a better post-sales service. Usually, the company does not start its internationalization process through FDI, due to the high demand for information, high capital requirements and exposure to risks associated to this option (Root, 1998).

The most frequently entry mode used in the past have frequently a significant impact in the following entry mode choices (Benito, Petersen, & Welch, 2009). However, the final decision is always influenced by the specific circumstances of time and place of the process, and also by the criteria setup at the time (Albaum, Albaum, & Duerr, 2008). As "Exporting is often viewed as a good starting point and relatively low-risk entry strategy as it involves little capital investment and lower exit barriers." (Gooderham et al., 2013), the company will gradually change its entry mode, i.e. it will choose the one that gives greater control over the operations in the target country (Root, 1998). Export profiles should then be developed and used by export promotion organizations so they can identify high potential exporter firms. In this way, these agencies can provide exporting training, loan funds and management assistance to the non-exporters.

2.5. Internationalization Barriers

One of the major barriers for SMEs to their expansion through internationalization is the lack of resources such as foreign market knowledge and

experience (Welch & Luostarinen, 1988). Entering new markets, the company may need to overcome the liability of outsider ship, i.e. difficulties related with the entrance to a new foreign market where the firm does not have any position in business-relevant networks. In this situations, it is difficult to gain trust and to make deals with the members of the new network, that usually prefer to collaborate within the network (Johanson & Vahlne, 2009).

According to Suarez-Ortega (2003), the lack of awareness of export assistance available, economic and non-economic benefits, the lack of knowledge of potential markets, and the lack of qualified staff are the main knowledge barriers that firms face when they start the internationalization process.

Table 2 summarizes, according to Leonidou (2004), the major barriers associated to a specific entry mode (exports), classified as internal and external and according to their impact into the internationalization strategy. There are several steps that SMEs should follow to prevent and overcome the exporting barriers: anticipate in the most precise way any problem related to the internationalization procedure, using business intelligence and marketing research; categorize and prioritize these problems according to their persistence and importance; take corrective measures and manage the progress of the problem resolution process (Leonidou, 2004).

Table 2: Classification of Export Barriers

Export Barriers Categories				Impact Ranking
Internal	Information	Limited information to locate/analyze markets		High
		Problematic international market data		
		Identifying foreign business opportunities		
		Inability to contact overseas customers		
	Functional	Lack of managerial time to deal with exports		Moderate
		Inadequate/untrained personnel for exporting		
		Lack of excess production capacity for exports		
		Shortage of working capital to finance exports		
	Marketing	Product	Developing new products for foreign markets	Low
			Adapting export product design/style	
Meeting export product quality standards/specs				

Export Barriers Categories				Impact Ranking
			Meeting export packaging/labelling requirements	
			Offering technical/after-sales service	
		Price	Offering satisfactory prices to customers	High
			Difficult in matching competitors prices	
			Granting credit facilities to foreign customers	
		Distribution	Complexity of foreign distribution channels	Low
			Accessing export distribution channels	
			Obtaining reliable foreign representation	
			Maintaining control over foreign middlemen	
			Difficulty in supplying inventory abroad	
		Logistics	Unavailability of warehousing facilities abroad	Very Low
			Excessive transportation/insurance costs	Very High
		Promotion	Adjusting export promotional activities	
External	Procedural	Unfamiliar exporting procedures/paperwork		Moderate
		Problematic communication with overseas customers		
		Slow collection of payments from abroad		
	Governmental	Lack of home government assistance/incentives		
		Unfavorable home rules and regulations		
	Task	Different foreign customer habits/attitudes		High
		Keen competition in overseas markets		
	Environmental	Economic	Poor/deteriorating economic conditions abroad	Very High
			Foreign currency exchanges rates	
		Political-Legal	Political instability in foreign markets	High
			Strict foreign rules and regulations	
			High tariff and nontariff barriers	
		Socio-cultural	Unfamiliar foreign business practices	Moderate
			Different socio-cultural traits	
	Verbal/nonverbal language differences			

Own Elaboration based on Leonidou (2004)

2.6.Socio-cultural Factors

According to Schiffman, Hansen, and Kanuk (2008), culture is “the sum of total learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society”, therefore the country’s culture will influence the internationalization process of the company. On the other hand, Brei et al. (2011) state that the elements of culture can be arranged in four main categories: language, institutions, material culture and symbolic culture. Language includes written, spoken and nonverbal communication; the second group is composed by social organizations, institutions and attitudes; material culture consists of material possessions, aesthetics and technology; and the last group includes customs, traditions and religion.

Several studies have been developed to understand the impact of culture on the international advertising strategy, reaching different conclusions (Nasir & Altinbasak, 2009). For example, according to Boddewyn and Grosse (1995), consumer tastes and habits are two of the major obstacles for standardization, which Mueller (1991) also concludes that culture have a high impact on the creation of the promotion mix.

By comparing the socio-cultural environment of the home country and the target market, the firm should analyze the socio-cultural variables as they influence the consumption behavior (Usunier, Lee, & Lee, 2005).

The adaptation of the firm’s strategy may be influenced by the existence of corruption in the target market (Nasir & Altinbasak, 2009), so that, when starting its internationalization process, the firm should examine the attitude of the business community when related to unethical code of behavior and possible sanctions applied (Keegan, Green, & Education, 2005).

3. The internship

The present section contains a description of Castro Pinto & Costa (CPC) and of OleoTest® (OT), as well as the analysis of the competing products. The internationalization process of that product is also briefly analyzed, likewise the activities developed during the internship between October 2015 and the following March.

The information presented in this chapter was obtained through the analysis of CPC's reports and institutional websites, and its aim is to introduce the company and to get a better understanding of its activities, contextualizing them into the process of expansion to Dubai, UAE.

3.1. The Company

CPC's mission is to stimulate a sustainable development of enterprises and, at the same time, to boost the innovation potential of their business.

With nine employees, the firm has three strategic business units: services, laboratory and products. CPC's product range includes industrial and chemical utensils and equipment targeting the medical industry and the HORECA (hotels, restaurants and cafes) sector. The company has a renowned excellence in the food hygiene area, providing auditing and consulting services and professional training in a large number of local firms, and its laboratory conducts microbiological and water analysis, as well as services of investigation, development and innovation.

Organizational culture, commitment to quality and innovation, high qualification of human resources and business ethics are the main values of the company, as they foster the professional image since day one.

Regarding OleoTest®'s exporting activities, only two trainees and one of the founders are currently working on this area, which translates into inefficient results.

3.2. OleoTest®

Deep-fat frying is a well appreciated cooking method for its fast execution and special flavor that it adds to food. Nevertheless, this process is composed by different reactions that accelerate the oil's degradation (Fernandes, 2012). Total Polar Materials (TPM) is one example of the main compounds created by this cooking method, and they may contribute to the development of lung and stomach cancers, immunological deficiencies and skin diseases.

OleoTest® is a colorimetric instrument that determines, in only two minutes, the amount of TPM in the frying oil sample as it is a mixture of chemical reagents. OT can be used for different types of oil, such as peanut, corn, soy and sunflower. After uncapping the tube containing the chemical reagent and placing it on the anti-burning support, the tube should be filled with hot oil (approximately 60°C to 80°C) until the lower limit of the tube label and then mix it until forming a uniform solution. After a 2-minute waiting, the color obtained is compared with the ones from the color table.

Since its creation in 2005, OT has been the market leader in several countries (Portugal, Spain, France, South Africa, Panama among others countries) and it is represented by an official national agent in each of them.

Across the world, the concern over food safety has continually increased. Regarding the quality of frying oils, different control parameters were settled in food security legislation and recommendation guides were published (Firestone & Erickson, 2006). Consequently, some parameters such as TPM and Free Fatty Acids (FFA) should not exceed certain levels depending on the country, for example TPM should not surpass the percentage of 25 in most European countries. Nevertheless, countries like Finland, Bulgaria and Greece still do not have legislation regarding this subject.

Besides the food and the catering industries, researchers and official food safety control agencies use this innovative product, as it happens in the Portuguese national administrative authority specialized in the field of food safety and economic surveillance (ASAE). Due to the two-year OleoTest® result conservation, the authority is able to use it as a legal evidence when, during its inspections to kitchens or industries, the quality of frying oils was degraded.

3.3.Competition

Before the commercial production of the OleoTest®, the market of controlling FFA and TPM was ruled by test strips and electronical devices. FFA test strips measure the quantity of FFA on used oils, which represent only an indirect measure of polar compounds. This instrument has several disadvantages as for instance the direct contact with the hot cooking oil sample and it is less reliable in reading the results. In this context, 3M and Merck Millipore are the worldwide best sellers regarding the colorimetric strips.

Electronical devices are the direct competitors of OleoTest®, as they provide fast and reliable results, but they also demand a high initial investment and periodic calibrations. These instruments also demand a direct contact with hot oil and a constant maintenance (calibration processes), so that the results might be influenced by the humidity.

The most known firms in the market of electronical instruments to measure the TPM in cooking oil samples are 3M, Testo, Ebro and Krohne, while the Chinese market is also developing new instruments that are mainly sold through internet platforms.

Recently, new devices have entered the market, as for example the PCT 120 from 3M, an instrument that combines the test stripes with an electronical device. After plunging the strip test into the cooking oil, the strip is placed in the electronical mechanism that will give the result. Besides the high investment needed and the risk of breaking, there is also a 35 minutes-wait to obtain the final results.

In the category of colorimetric tests, in which OT is included, companies like Merck Millipore, MirOil and CFPSA (Portuguese firm) are also part of the same group.

3.4.Internationalization

Castro, Pinto & Costa, Lda. start exporting OT in 2003, for countries psychically close such as Spain and France. Always choosing the indirect exporting method, CPC develops a specific strategy for each country by analyzing the market and searching possible national agents/distributers interested in promoting and selling OleoTest®.

OT's export revenues represent 25% of the company total income which restates the importance of this instrument in several countries, such as Spain, France, South Africa, Poland and Panama, and the product is also present in Austria, Bulgaria, Colombia, Italy, Netherlands and North America, however with residual sales.

Consequently, international trade fairs and exhibitions are very important for the company as they allow the expansion of its contact network as well as to advertise the product. Since the beginning of the internationalization process, CPC participated in one Portuguese fair in Lisbon and visited three others around the world, particularly in Barcelona, Milan and Shanghai.

3.5. Activities developed within the internship

From October 5th 2015 until March 31st 2016, the internship was developed in Castro, Pinto & Costa's facilities located in Maia Industrial Area. The main objective pursued was to develop an international strategy program for the product OleoTest® into the Middle East. After a market analysis, it was decided to focus all the attention in the United Arab Emirates, more specifically in Dubai.

To fulfill the objective, several activities were developed. In what concerns the market, it was analyzed in terms of economic growth as well as the cultural and social environment.

In terms of external barriers, the procedural and the socio-cultural were identified as the ones that most interfere with the exporting process, while inadequate personnel for exporting and the lack of excess production capacity for exports were also another obstacles for the internationalization process into Dubai, United Arab Emirates.

On the subject of the cooking oil sector, an intensive research was developed on the existence of Food Safety Legislation and recommendations, as well as in the presence of direct and indirect competitors in the region. Potential distributors like medical supplies companies, audit firms and potential clients, such as hotels, restaurants and catering firms were contacted and informed about the advantages of the OleoTest®, as well as about the availability of the company to start exporting to Dubai.

For a more direct contact with future clients and local suppliers, a research on fairs and exhibitions related to the food industry, health sector and HORECA market was developed and it was chosen which exhibition Castro, Pinto & Costa, Lda. should attend. Specialized magazines and journals were also analyzed and contacted in order to examine the advantages and costs of publicizing in the local media.

The development of the OT's marketing material was another activity developed during the internship, and it involved updating the institutional website and Facebook account, and also the elaboration of articles for the company's newsletter.

4. Methodology

The methodology chosen for this report was the qualitative research, as it is very effective in obtaining culturally specific information such as behaviors and social contexts of particular populations. When there is a need to identify intangible factors, for example socioeconomic status ethnicity and religion, the qualitative methods are more effective than quantitative ones (Mack, Woodson, MacQueen, Guest, & Namey, 2005).

Semi-structured interview is a qualitative method of obtaining information as it allows the participants to diverge in order to follow a specific idea, but it also includes a range of key questions (Britten, 1995). Interviews are more appropriate when there is a lack of information related to the social phenomenon studied, or when specific insights from individual participants are required (Gill, Stewart, Treasure, & Chadwick, 2008).

Câmara de Comércio e Indústria Árabe-Portuguesa (CCIAP) is a non-profit association whose primary goal is the development of economic, commercial, industrial and cultural relations between Portugal and the twenty two Arab countries, on the basis of mutual interest, contributing significantly to the strengthening of cooperation relationships between Portugal and the Middle East. CCIAP assists and supports the enterprises' internationalization process, as it provides a wide range of services such as economic missions, commercial contacts, translations and publications in magazines.

By comparing the information gathered through the literature review and the practical information of a specific company and product, as well as the data from the semi-structured interview, the internship report will be developed.

Research Questions

For a better understanding of the internationalization process of a small firm into the United Arab Emirates and to develop a strategic plan for it, it is necessary to answer some key questions:

- Which internationalization barriers are present in the Arab market?
- What type of investment destination are Dubai and the United Arab Emirates?
- What are the relationships between Portugal and the United Arab Emirates?

- Is there any relevant legislation on food safety in the UAE, and in which category and custom fees can OT be placed?
- Who are the main competitors and potential distributors for Oleotest® in the United Arab Emirates?

5. The Internationalization Process of CPC to Dubai, UAE

For a more successful internationalization process, it is necessary to be knowledgeable about the future market and to identify the signals and market trends, essential for a better business strategic positioning.

The UAE is the thirty first country where it is easier to do business, in a total of 189 markets, but nevertheless it can be a demanding and frustrating market to enter. As presented in Annex A and in PESTLE analysis (political, economic, social, technological, legal and environmental factors) developed below, although the country has some strong points like the taxes payment, when exporting to UAE there must be done a deep investigation on the standard regulations and processes.

The fried oil legislation in the United Arab Emirates is also analyzed in this chapter, since its existence might have a significant impact on the success of the OT's exports. At the end of this chapter, the internationalization process of CPC to Dubai is thoroughly analyzed, by exploring the health sector, the main competitors in that country and the activities developed by the company.

The main sources of the information presented in this chapter were the European Commission's Market Access Database website, the Gulf Cooperation Council's website, as well as the GCC Standardization Organization website.

5.1. PESTLE analysis

The Middle East is a highly diverse region, not only in languages, ethnicities and religions, but also regarding political and economic systems. Even if a particular strategy must be developed to enter these markets, Multinational Enterprises (MNEs) are still attracted by this region, although actually these firms have been facing some problems when trying to operate in the Middle East, mainly because of international and political affairs, such as conflicts and wars (Mellahi, Demirbag, & Riddle, 2011).

The United Arab Emirates was created in 1971 after gaining full independence from Great Britain. As it is located in southeast end of the Arabian Peninsula on the Persian Gulf, it is composed by seven kingdoms: Abu Dhabi, Ajman, Dubai, Fujairah,

Ras al-Khaimah, Sharjah, and Umm al-Quwain. Dubai's population largely consists of expatriates, mainly from South and Southeast Asia, in addition to those from other parts of the world. It has emerged as a global city and business hub of the Middle East (Fawaz, 2015), and some examples of economic incentives characteristic of this kingdom are the low levels of corporate taxes, import and export duties. Thanks to the increasing income from the oil industry and economic restructuring, Dubai has turned itself into a developed new world of intensive consumption. Even though the Arab culture is still predominant in the city's business environment, there is an increasing number of foreign companies that influence the ecosystem (Fawaz, 2015).

Since the beginning of the oil rents income in 1969, the Sheik Rashid maintained his strategy of Dubai's infrastructure development. The investment on heavy industries, like aluminum, was made aiming to attract foreign investment and, in this way, to finance the economy. To encourage diversification, free trade zones were created to attract companies and tourism was developed by increasing the number of hotels. Subsequently, the latter has become Dubai's biggest growth sector (Sampler & Eigner, 2003) and, between 2010 and 2015, the number of tourists raised from 10 million to 15 million.

The PESTLE analysis allow us to have a better understanding of the market to where the company wants to export, and it was developed through the analysis of Human Development Report 2015 and institutional and other websites mentioned in the references, and also from the interview with CCIAP.

Political

Each kingdom of the United Arab Emirates has its own government with main functions such as commercial activity regulation and natural resources management. Every 5 years, there is a presidential election of the Federation, held by the Supreme Council (DeNicola, 2005).

Since Dubai's integration into UAE, the kingdom did not fought in any main conflict besides the Kuwait's invasion by Iraq, in which Dubai was truly threatened (DeNicola, 2005). When compared with some of its neighbors (Bahrain, Kuwait and Saudi Arabia), there are no significant violent domestic opposition activities in Dubai,

contrasting with Saudi Arabia, where the government frequently suffers from armed terror protests (Herb, 1999).

Dubai's development strategy has been essentially influenced by the Mktoum's vision, as the present ruling family wants to turn this kingdom into an economic and social progress region.

Economical

The country has a very strong international position, as a natural result of its policies, which are based on open economy and free trade.

In Dubai's economy, the main income sources are related to public utilities, oil, state-own enterprises, lease of government-owned housing and property. The public sector is a high revenue generator, even though the population and businesses do not pay income taxes. Fees linked to driver's licenses, visas and hospital are examples of mechanisms where the government can collect revenues (Hvidt, 2007).

Dubai is the biggest and most populous emirate in UAE (with around 1.770 million habitants) and produces near 90 billion dollars that represent 30% of the total UAE's GDP. Around 60% of UAE's GDP is from the industry sector and 39% from services, where the Emirates are becoming regional and global leaders in tourism, leaving agriculture responsible for only 1%. In 2015, Dubai was considered the fifth-highest performing metropolitan economy in the world, according to the Brookings Institution, and United Arab Emirates is in the 17th position of the Global Competitiveness Index, thanks to its excellent macroeconomic environment, highly developed infrastructure and strong institutions, as it is presented in Annex A.

The UAE have taken several business reforms, making it easier to do business in the country. Just last year, the government made transferring property easier by introducing new service centers and a standard contract for property transactions, as well as increasing the operating hours of the land registry and reducing transfer fees.

In 2014, United Arab Emirates' GDP reached US 401.6 billion, what translates into US 43180 Gross Domestic Product per capita. According to the Human Development Index, in 2014 the United Arab Emirates scored 0.835, putting the country in the category of very high human development. Since 1990, the UAE has

increased 15.1%, going from 0.726 to the present value, which is higher than the average of the countries in the Arab States (0.686).

Socio-cultural

Dubai has 2.213 million people and 75% are male, explained by the expatriates that come without their families.

From a socio-cultural point of view, Dubai has a culture shaped strongly by the Muslim religion. When compared with the rest of the world, it is an important regional trading center and held as one of the more progressive emirates within the Gulf region. Dubai citizens live a western cosmopolitan lifestyle with a very high standard of living, sustained by their wealth.

The social structure in the United Arab Emirates can be divided into two main categories: the nationals and the foreign immigrants (especially from South Asia: India, Pakistan and the Philippines). Even though Dubai's government is authority, as for example there is no independent social media, it is allowed for expatriates (the majority of Dubai's population) to drink alcohol and wear bikinis.

The predominant religion is Sunni Islam, nevertheless Emiratis are very tolerant toward other religions as immigrants of other faiths are allowed to have their own places of worship (although showing disrespect of Islam religion is a very serious offense). Islam religion prohibits alcohol and it is illegal to have alcohol in Dubai without a license. During the Ramadan, the Muslims fast from dawn until sunset by refraining from consuming food, drinking liquids, smoking and sinful behavior such as false speech and fighting, and the workplace also suffers some changes, as the business day finish at around 2:00 pm, to allow the workers to go home for rest.

Technological

Dubai is known as the center of innovation, also being the leader in different technological sectors. One of the goals is to turn high-tech manufacturing into one of its economy essentials, alongside with tourism, trade and services.

In United Arab Emirates, the number of Internet users has been continually increasing, along with IT software solutions industries, which rate of growth has

doubled Europe, and the penetration of Internet is one of the highest in the world, with the value of 93% of the population.

Internet City is one of the free zones in Dubai designed especially for the high-technology sector. Besides the liberal elements present in the others free zones, Internet City also benefits from “corporate concierge”, a service that help firms with administrative problems like visa and real estate management (DeNicola, 2005).

Due to being located in just one campus, companies create contacts in a more easily way. Sony, Dell and IBM are just examples of companies with regional headquarters in Internet City (DeNicola, 2005).

Legal

Dubai is characterized by its light taxes and simple bureaucracy as it continues attracting international firms (Unit, 2010). According to Tarbuck and Lester (2009), "A recurring theme when deciding where to do business is the suitability of the legal and regulatory framework in the particular local jurisdiction."

Islamic Shari'a Law is still a major influence in the legal system of Dubai. Federal codes such as commercial, civil procedure, immigration and intellectual property are common in the United Arab Emirates, nevertheless laws related to administrative affairs are ratified by the Ruler of Dubai, as for example the establishment and operation of government affiliated entities.

In the UAE, there is no federal tax legislation, as personal and withholding tax are not imposed for general business. Currently, taxes are only enforced on the income of oil and gas exploration and production companies, branches of foreign banks and certain petrochemical companies under specific government concession agreements.

In 1980's, Dubai implement the concept of free trade zones (FTZ), i.e. special areas aimed for business' stimulation as they have different laws and regulations (Sampler & Eigner, 2003). In the country, there are eight operative free trade zones at the moment: Dubai Internet City, Dubai Media City, Dubai Gold and Diamond Park, Dubai Cars and Automotive Zone, Dubai Knowledge Village, Dubai International Financial Center, Dubai Multi Commodities Centre and Dubai Technopark. In these zones, the UAE offers renewable 50-year tax holidays and exemption from import duty on goods brought into the FTZ.

Environmental

Dubai is located on the southeast coast of the Persian Gulf and lies within the Arabian Desert. This Emirate has a hot desert climate in which the summers are extremely hot, windy, and humid, with an average high around 41 °C (106 °F) and overnight lows around 30 °C and winters are warm with an average high of 24 °C (75 °F) and overnight lows of 14 °C (57 °F).

The emirate has been investing in the green sector by promoting different activities such as environmental tourism, an activity that intends to preserve the natural and cultural heritage of the environment.

In 2014, it was launched the first edition of “The UAE State of Green Economy Report”. This report aimed to help the country in order to make a solid advancement towards a Green Economy by providing all citizens with a clear overview of the government’s plan and efforts. In this way, it would provide important information to help its readers to understand the UAE’s national context and prospect for a Green Economy transition.

“Green Economy for Sustainable Development (2012-21)” is another example of national initiative, and its aim is to build a green economy in the UAE. This initiative pretends to position the country as a center for the export of green products and technologies through policies in the areas of energy, agriculture, investment and sustainable transport.

After reviewing the PESTLE analysis, there are specific facts that benefit and damage UAE's potential to hold new businesses, which are grouped into the two categories below.

Strong Points

The inexistence of direct taxes in the oil, banking and insurance sectors, neither in corporations or individuals is one example of UAE's strongest points as investment destination.

The national banking sector is solid, profitable and has favorable regulations for foreign investments; the geographical position of the country can also be considered an advantage as it stands in a strategic location, having a direct influence on the Gulf, Middle-East and Asia; the cheap labor force and the good transport and production infrastructures ultimately contribute to the lower production and energy costs.

Weak Points

Researchers have been studying the Arab Gulf economic evolution and trying to explain why this region has lagged behind other regions. The main conclusions highlight the weak integration in the global economy, the non-democratic political institutions and the weak business environment (corruption and weak rule of law).

One of the main legal obstacles of starting a business or to invest in the United Arab Emirates is the interdiction (except for free zone) of more than 49% of shareholding of a local company for a foreign investor. Inflation and the inadequately educated workforce have also a high negative impact on doing business in this region.

The difficulty of doing business without a local partner and the backwardness of payments can also be pointed out as difficulties in UAE. Indeed, only when a company demonstrates its ability to work with other Arab clients, it is recognized as a potential partner in the region.

5.2. Relationship between Portugal and the United Arab Emirates

The UAE gives special importance to the development of economic relations with other countries, what is expressed by the celebration of more than thirty cooperation agreements in economic and commercial areas at regional and international level, with emphasis on the accession to General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO).

Due to the current difficult economic situation in Europe, Portugal has been trying to increase its investment in emerging countries, as for example the UAE.

In this region, there is not any Portuguese association, but it is expected the creation of the Portuguese Business Council, which will bring together all the Portuguese companies present in this country. Besides, some information provided by national authorities in 2014 estimated that around 2400 Portuguese citizens were living in the UAE.

The economic relationship between Portugal and the Emirates has been improving over the years. According to recent reports, the Portuguese trade balance had a surplus of € 108 million in 2014 (by exporting 123 million euro to the United Arab Emirates and only importing 15 million) and there are almost 800 Portuguese companies regularly exporting to this country, nine of which are located and operating from the free trade zones.

Exports are mainly composed by machinery (30%), vehicles (12%), Cellulose pulp and paper (9%) and clothing (8%), while the imports are consisted mainly by plastic and rubber (56%), textiles (20%) and machinery (12%).

Legislation & Agreements

The Gulf Cooperation Council (GCC) currently has only a few free trade agreements in place, including those with the Greater Arab Free Trade Area (GAFTA), the European Free Trade Area (EFTA) and Singapore.

Although the relations between Portugal and the United Arab Emirates are historic and strong, both governments have recently taken several measures to simplify and facilitate transactions.

Firstly, in January 2011, it was established between these two countries an agreement preventing double taxation and fiscal evasion with respect to income taxes. In the same year, the Portuguese Republic and the United Arab Emirates signed, in Abu Dhabi, an Agreement on the Promotion and Reciprocal Protection of Investments, whose goal was to strength the bilateral relation between the two countries.

Then, in 2012 another agreement on economic cooperation was signed, regarding the cooperation between Small and Medium Enterprises, especially in the energy sector and intellectual property.

The last agreement was established in Lisbon, in July 2015, in order to promote tourism and inform tourists about the best attractions in Portugal and the UAE. It also aimed to increase cooperation and encourage tourism institutions as it facilitates the influx of tourists and strengthen the relationship between the two countries.

Câmara de Comércio e Indústria Árabe-Portuguesa

The economic relation between Portugal and the Arab League show a steady growth, having quadrupled in the last decade. Indeed, in the last ten years it was possible to create useful partnerships, benefiting both Portugal as the Arab Countries.

In this context, we can highlight Câmara de Comércio e Indústria Árabe-Portuguesa (CCIAP), as it is the only entity that represents Portugal in the Arab League and it aims to the development of economic, commercial, industrial and cultural cooperation between the country and the Arab economies on a basis of mutual interest. As a facilitator and a privileged interlocutor in relations between Arab and Portuguese companies, CCIAP provides a wide range of services including organization of economic missions, seminars, economic studies and documentation legalization, among other activities.

In this way, CCIAP was contacted via email in December 2015, with the purpose of answering some questions related to the organization, as well as the relations between Portugal and the United Arab Emirates and the challenges faced by Portuguese companies that want to internationalize to the Arab countries. Since the interview was elaborated in Portuguese, it is present in annex B in its original language.

Thus, the analysis of the answers allow us to understand the privileged relation with Official Entities and Institutions such as the Arab League and the General Union of

Chambers of Commerce, Industry and Agriculture for Arab Countries, which facilitates the support provided by this organization to national companies.

By becoming a member of this organization, the company expands its contact network and it is exposed to more than 300 associations and chambers of commerce in the 22 countries of the Arab League.

Due to its deep knowledge of the Arab market, such as the entering mode, the business environment, the market structure and the human resources, the CCIAP can help the Portuguese firms during its internationalization processes, particularly in order to understand and identify the best way to approach this region.

Through the provision of services in different areas, like translations and back-translations in Arabic languages, French, English and Portuguese, and Arab Culture courses and events and fair promotion, the CCIAP has demonstrated to be an essential organization not only for the Portuguese companies but also to the different countries' governments, as a way to improve their relations.

5.3. Exports to UAE

5.3.1. General information

As a member of the GCC, the United Arab Emirates has to obey the Common Customs Law, nevertheless each member state administers its own list of prohibited, restricted and exempted products. So, the Gulf Standardization Organization (GSO) sets the framework for the UAE's packaging and labelling requirements, which will be briefly described now.

The customs declaration must be accompanied by a complete documentation of the commodities, such as freight documents, invoices or documents providing similar details of the goods, documents identifying the importer and proving his entitlement to import the merchandise in question. The documents needed for the import and export of goods to and from the UAE are invoices (initiated by supplier, Certificate of Origin and Bills of Lading /Airway Bill).

Emirates Authority for Standardization and Metrology (ESMA) is the National Standards Organization responsible for the packaging requirements for the exports to the UAE. Moreover, ESMA has formulated the Emirates Conformity Assessment Scheme (ECAS) system, which defines the standards that shall become obligatory for a range of products.

Regarding the packaging requirement, the rules are not very demanding. The labels should not be easy to remove or falsify and an Arabic translation should be on it. The “Made In” label is mandatory and it must include the name and address of the manufacturer.

Specific requirements include a complete list of ingredients in decreasing order of their proportion with the mention "ingredients after preparation" for dehydrated products, name and brand of the product and all the food additives used.

The name and address of the manufacturer and packer must also appear, as the method of preparation for consumption if required, and also if the product contains animal fat or gelatin, it should be specified as to which animal they originate from. The manufacturing and expiry dates should follow the rule: day/month/year for a preservation period more than 3 months, month/year for a preservation period less than three months.

In this context, is also relevant to consider the import duty and taxes that are due when importing goods cross the border of UAE, whether by a private individual or a commercial entity. The valuation method is CIF (Cost, Insurance and Freight), which means that the import duty and taxes payable are calculated on the complete shipping value, which includes the costs of the imported goods, the freight, and the insurance. No additional taxes or fees are levied on imports.

Duty rates in UAE vary from 0% to 100%, with an average duty rate of 4.61%, and some goods can be imported free of duty (e.g. laptops and other electronic products). There is no sales tax applicable on imports in UAE and imports with a CIF value up to AED1000 (EUR 245) are exempt from duty.

5.3.2. The case of OleoTest®

The OleoTest® fits in the Section VI “Products of the chemical or allied industries”, Chapter 38 “Miscellaneous chemical products”. Its specific code is 3822, which includes “Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading 3002 or 3006; certified reference materials”.

To export to the United Arab Emirates, certain general requirements must be met, including: Ship Pre-Arrival Notification Report, Master's Report, Manifest, Customs Import Declaration, Commercial Invoice, Pro Forma Invoice, Packing List, Certificate of Non-Preferential Origin, Proof of Preferential Origin, Air Waybill, Bill of Lading, Insurance Certificate, Delivery Order, Registration with the Customs Authorities, Commercial Registration and Trade Licence.

In what concerns to OT, there are no specific requirements to export into UAE and for this product the Most Favoured Nation (MFN) rate is 0%. MFN rates stand for the regular customs tariff rates applicable to all countries, and they are conventionally applied between WTO members, although it can also be extended to those economies that are not members of this organization.

The existence of Oil Legislation in the United Arab Emirates would be an incentive for the company to invest in this country, as OleoTest® could be used by the authorities to control and maintenance of the law. Notwithstanding, there is no legislation regarding the maximum amount of FFAs or TPMs on the fried oil sample.

Dubai soon will be the first city in the world to adopt biodiesel made 100% from waste cooking oil for use in its municipal vehicles. Most of the biodiesel comes from McDonald's outlets and it is a cleaner fuel, since it decreases the earth's reliance on fossil fuels and reduces greenhouse gas emissions. It is also possible to collect used vegetable cooking oils from cafes, pubs and canteens, and process it into a fuel. The Municipality of Dubai and Neutral Fuels LLC recently signed a deal regarding the replacement of diesel in its vehicles with clean biodiesel.

Healthcare Sector in Dubai

In the past five years, government spending in healthcare has a growth rate of 15%, and the healthcare system in the UAE has reached in 2015 the highest value of US\$12 billion.

Several measures have been implemented in Dubai, such as the creation in 2002 of the Dubai Healthcare City (a US\$3 billion investment aiming to provide world-class medical facilities) and a teaching hospital backed by the Harvard Medical School.

These examples illustrate the increasing importance that the government and the population of Dubai are assigning to this sector. According to recent reports by McKinsey & Co., there is a projection of a 160% increase in hospital beds by 2025 in the UAE due to the high population growth, changing social demographics, a prevalence of health-risk factors (such as limited exercise and obesity) and an increase in health insurance services. Currently, the Government is responsible for 60% of primary healthcare and intends to increase this rate.

Competitors in the United Arab Emirates

The major electronical instruments present in the United Arab Emirates are 3M PCT 120, Ebro FOM 320, Testo 270 and Krohne Optiquad-FFA 4050 W.

3M is an American multinational conglomerate corporation with annual sales of US\$30 billion and 88,000 people employed worldwide. In the food safety sector, 3M produces the 3M™ Low Range Shortening Monitor (LRSM) and 3M™ PCT 120 oil tester, and the company is present in three major stores in the Emirates: one in Abu Dhabi and two in Dubai.

In turn, Ebro Electronic is a German business unit under the umbrella of the WTW GmbH (Ltd.) that is specialized in designing and manufacturing measuring devices such as handheld instruments, thermometers and data loggers. Ebro is represented in the UAE through Venktron Electronics L.L.C. situated in the Emirate of Sharjah, and Ebro FOM 320 is an electronical instrument in which measurement is performed directly in hot oil.

On the other hand, Testo, Inc. is a world leader in the design, development and manufacture of portable test and measurement instrumentation. This company was founded in 1957 in Germany and it consists of 24 subsidiaries and over 60 agents

around the world, with Enviro Engineering General Trading (L.L.C.) as its agent in Dubai, UAE.

Finally, Krohne is a world-leading manufacturer and supplier of solutions in industrial process instrumentation and offers supporting products and services for one-stop-shopping and in industries as widespread as oil & gas, water & wastewater, chemical & petrochemical, food & beverage, power, minerals & mining and marine. Krohne has permanent representation in more than 130 countries and employs more than 3,500 people.

Regarding the colorimetric instruments present in the United Arab Emirates, Oxifrit from Merck Millipore is the only one physically present in the country, as the other devices mentioned in section 3.3 depend mainly on online orders.

Motivations to internationalize into Dubai, United Arab Emirates

As it was mentioned in section 3.4., OleoTest® is present in more than ten countries outside, through a direct partner or indirect sales. Castro, Pinto & Costa, Lda. started selling this product at its home country in 2003, and after 5 years of national success, the firm noticed the market was becoming overloaded, so the next step would be starting to explore the foreign countries.

Thus, the main motivation of the firm to internationalize is to increase its sales, and Spain and France were the first markets to move on: after long investigations and arrangements, CPC made two exclusivity contracts with local agents, becoming their exclusive agents in these two countries.

In 2015, the French commercial partner asked for an extra OT's order since he was planning to participate in an exhibition in the United Arab Emirates. After the success obtained in other markets, CPC decided to analyze this specific market in way to obtain a better understanding of it, although before October 2015 there was none investigation made in the firm regarding Dubai.

Applications of the Literature Reviewed

According to the theories described in Section 2.2., we can say that none of them can explain by itself the strategy followed by the company.

By starting to export for geographically closer countries such as Spain, the strategy of CPC can be explained through the Uppsala model, as it states that the firm will gradually internationalize into similar countries.

According to the Network Approach, the market has a high internationalization degree since most of the rival producers are worldwide companies, or firms that are at least present in several countries. CPC, on the other hand, is still increasing its presence in the international markets, so that in line with Table 1 presented in Chapter 2, it can be considered a late starter.

Although, the Uppsala model and the Network theory cannot be fully applied to this firm, since the entrepreneurs have all the decision power over the markets and the entry mode, following their interests without any previous study.

As OleoTest® is an innovative product and the founders of CPC are oriented to the international markets, even though with limited knowledge of them, it seems that the international entrepreneurship theory is the one that best adapts to this case.

Even though the company is oriented to enter into new markets, it still has a small contact network with foreign firms as well as a lack of time and specialized employees to execute all the activities inherent to the internationalization process.

Current situation and recommendations for the future

In accordance with the literature review and to foreign firms' experience, having a local partner continues to be crucial for a successful future of an outside firm. After several months of contacts with different companies, including medical devices suppliers, restaurants, hotels and official authorities related to food safety, I established a contact with an audit firm specialized in health and food safety, Specifico & Co.

Specifico & Co is the sole provider of food safety solutions in the Middle East and its mission is to provide the most efficient, economical and innovative way to develop training and food safety advisory programs, according with local and international regulations. Specifico & Co has made itself available and willing to be the CPC's local contact and distributor in Dubai, UAE.

To get a better and more practical understanding of the market, CPC participated on the exhibition Gulfood 2016 hosted in Dubai World Trade Centre. Gulfood is one of the most important food and hospitality shows in the world with almost 5.000 exhibitors

participating from over 120 countries. Every year, the Gulfood wants to connect nations, suppliers and distribution channels open for business related to the industry, and highlight the strategic role of Dubai as a global center for the food industry trading.

This year, the exhibition had more than 9.000 visitors and the product OleoTest® was present in the Specifico's exhibitor. Through this marketing campaign, CPC looked for a more direct contact with future clients.

In what concerns to the future, as it was analyzed in the literature reviewed, the marketing strategy of the firm should be implemented and followed, so one of the very first steps would be to improve the control over the distributor's operations overseas.

In our opinion, indirect export is the most suitable entry mode for CPC, as it has not yet the capacity to evolve to contractual or investment arrangements.

At the same time, we consider that the creation of a communication strategy in a long term perspective is urgent, since the company is only concerned with short term objectives, e.g. entering new markets and getting agreements with new distributors.

Besides, Castro, Pinto & Costa, Lda. also have to adapt its activity to the internationalization process, including the recruitment of specialized personal and the constitution of a database with all the information regarding the quantities exported and price applied to each country, as well as about actual and potential partnerships. The team should also have strong marketing and advertising skills, so in this way, the activities related to entering new markets can be more organized and successful. Furthermore, the business network must be intensified, not only on distributors but also on future clients.

Regarding the Arab market, CPC should continue to improve its network by contacting new companies and authorities, such as local and food regulator authorities as they are very important in the society and will have a high impact on the sales promotion. Moreover, personal meetings should be taken, since the local companies value the direct contact instead of long-distance calls, and advertising in specialized magazines would also be a good strategy to consider, since it would allow the firm to reach more companies and institutions. After the implementation of the product, CPC should perform a market research in order to confirm the willingness of the target clients to consume OT, with the planned positioning and price.

6. Conclusions and Limitations of the work

This report is the result of a six-month internship held in Castro, Pinto & Costa, Lda., a Portuguese SME with the main objective of creating an internationalization strategy for the product OleoTest® into Dubai, United Arab Emirates.

Indeed, Small and Medium companies face different problems when moving their activities across borders, as their strategy must be changed and adapted to the final market. In this context, barriers such as procedural and socio-cultural issues present hindrances which require planned strategies in order to be surpassed. This study concluded that one of the key factors in order to develop robust strategies for internationalization is to obtain a solid market research and knowledge. Human factors are also important, especially with regard to the management team responsible for the project. It should be an active team with previous experience in internationalization projects, which is conscious and prepared for dealing with the challenges presented by new markets. The financial and structural aspects of the firm should also be part of the strategic plan developed, as the company should be solid and have enough capital to support upfront investment costs. Finally, developing and maintaining a solid business network that fosters market penetration in the early stages of the internationalization process is also an important asset for the company. It should be noted that these networks also include governmental agencies which may prove to be valuable when dealing with legislative and cultural aspects of internationalization.

The United Arab Emirates is the object of the present report, as the company had already identified this market as a promising opportunity for growth. With its GDP value as high as the west European nations, it is a multi-cultural and well-diversified country, that has proven to the world that it is more than just an oil driven society.

Although entering the Arab market can be very demanding, Portuguese companies can find some help in government agencies which possess key knowledge for entering this market. In this context, it was possible to identify a Portuguese non-profit association or Entity of Public Utility - Câmara de Comércio e Indústria Árabe-Portuguesa (CCIAP), whose primary goal is the development of economic, commercial, industrial and cultural relations between Portugal and the twenty two Arab countries, on the basis of mutual interest. As it contributes significantly to strengthen the cooperation

between Portugal and the Arab world, an interview with CCIAP was developed with the intention of better understanding its action. The main conclusions arising from this interview were that CCIAP has a privileged relation with both governments as well as with different agencies and associations responsible for the internationalization process. As identified before, these privileged relations are one of the strategic factors that foster the success of companies' internationalization processes.

Castro, Pinto & Costa, Lda. was founded in 2000, and after five years of activity, the product OleoTest® was developed, quickly becoming its trade mark not only in the national market, but also outside Portugal. As the Emirati government continuously invests in the health sector, CPC has the opportunity to fill the gap on controlling the quality of cooking oils, which can be very harmful to the human health.

After entering the European market, more specifically Spain and France, CPC decided to venture into new markets such as the United Arab Emirates. Considering that the relationship between Portugal and the UAE is been improving by the establishment of some agreements that promote and facilitate transactions, this developments can be very beneficial to OT's entry strategy.

Through the elaboration of the present report, it was possible to identify key strategic issues for developing a robust entry strategy, such as understanding the main internationalization barriers present in the Arab market. In this case, it became clear that procedural and socio-cultural barriers were present there, exemplified by unfamiliar exporting procedures and/or paperwork. Inadequate personnel for exporting and the lack of excess production capacity for exports were also identified as other fundamental issues that the company should address. When analyzing the relation between Portugal and the United Arab Emirates, it was possible to understand its improvement, which has been leading more companies to export and establishing its business in that region, for example in the free trade zones. The lack of legislation regarding the control of the quality of cooking oil has not stopped multinationals firms to establish their activity in the Emirati market, offering similar products and being direct competitors of CPC.

Taking in account that, especially in this market, the entrepreneur should have the will to invest in order to achieve longer term goals (Ames, 2001), for the success of OT's internationalization process, it seems to us that the relationship with the distributor must be cultivated with regular visits, since CPC is highly dependent on the local

agency. A market research including the planned positioning and price should also be done in order to evaluate the OT's market penetration and how the target customers are reacting to the product.

The lack of support by the entrepreneur and limited information available about the target market were the main obstacles faced during the 6-month internship. The information related to the prior internationalization activities were only partly disclosed, which seriously complicated the elaboration of the strategic plan for OleoTest® into United Arab Emirates, as well as the execution of the present report. The late response to the interview with CCIAP, presented in annex B, was another obstacle faced, as it was sent in December 2015, but the answers were only received seven months later, after the exchange of several emails insisting on the emergency of that information.

Although, through this curricular internship developed in Castro, Pinto & Costa it was possible to join the theoretical knowledge obtained from the Master in Economics with the confrontation and learning from new and unexpected situations not covered in class. From this study, it was also possible to recognize the importance of information gathering before engaging into new markets. The internationalization process should be seen as an important stage that demands a great amount of research and cannot be considered as an automatic process to satisfy the entrepreneur's will.

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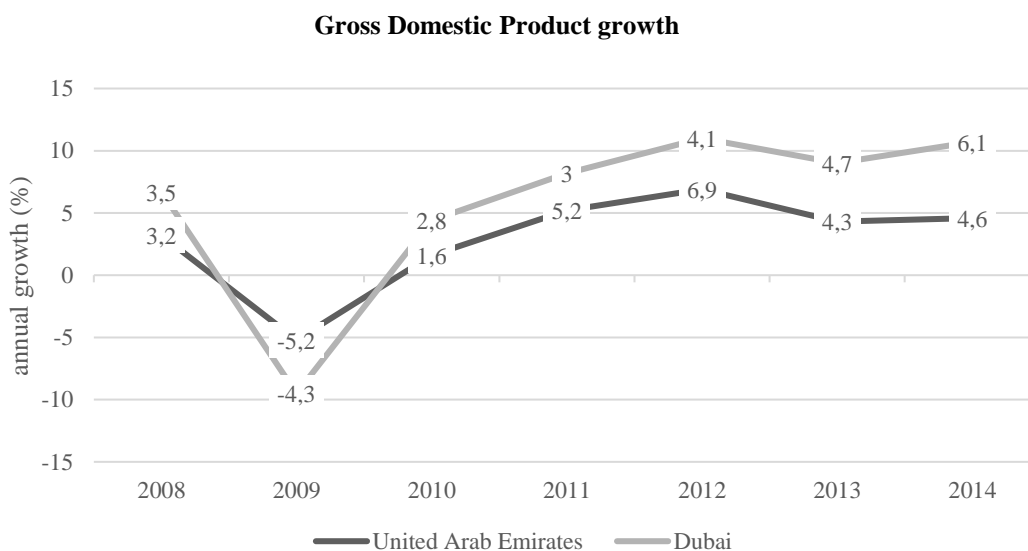
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8. Annexes

Annex A. United Arab Emirates Economical Analysis



Source: Investopedia

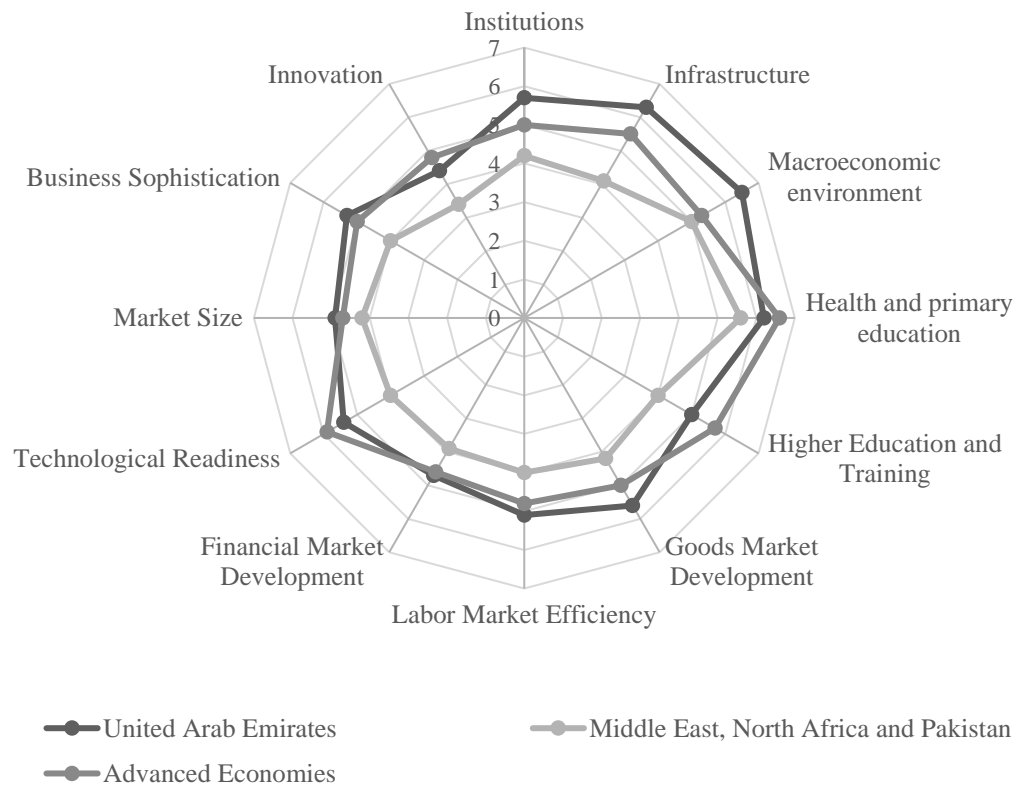
Topics	UAE's Doing Business 2016 Rank
Starting Business	60
Dealing with Construction Permits	2
Getting Electricity	4
Registering Property	10
Getting Credit	97
Protecting Minority Investors	49
Paying Taxes	1
Trading Across Borders	101
Enforcing Contracts	18
Resolving Insolvency	91

Source: World Bank, Doing Business (2016)

Topics	UAE's Score (1-7)
Basic requirements	6.2
Institutions	5.7
Infrastructure	6.3
Macroeconomic environment	6.5
Health and primary education	6.2
Efficiency Enhancers	5.1
Higher Education and Training	5.0
Goods Market Development	5.6
Labor Market Efficiency	5.1
Financial Market Development	4.7
Technological Readiness	5.4
Market Size	4.9
Innovation and Sophistication Factors	4.8
Business Sophistication	5.3
Innovation	4.4

Source: The Global Competitiveness Report 2015–2016

United Arab Emirates Global Competitiveness Index Graphic



Source: The Global Competitiveness Report 2015–2016

Annex B. Interview to CCIAP

Questions

1. A Câmara de Comércio e Indústria Árabe-Portuguesa é uma associação sem fins lucrativos com o objetivo de desenvolver as relações económicas, comerciais, industriais e culturais entre Portugal e os 22 Países Árabes, Como tal, quais são os procedimentos que uma empresa tem que cumprir para se tornar sócia da CCIAP e quais são as vantagens que advêm dessa condição?

Answer: As empresas interessadas em tornarem-se Sócias da CCIAP devem contactar o Gabinete de Relações Internacionais ou aceder ao website da Câmara (www.cciap.pt), preencher a Ficha de Inscrição e proceder ao respetivo pagamento da jóia e da quota anual, cujo comprovativo e ficha de inscrição devem ser enviados para o e-mail geral: info@cciap.pt.

A CCIAP é a única entidade que representa em Portugal os Países da Liga dos Estados Árabes e tem por objetivo o desenvolvimento das relações de natureza económica, comercial, industrial e cultural entre Portugal e os Países Árabes, numa base de mútuo interesse.

A CCIAP afirma-se como um facilitador e um interlocutor privilegiado nas relações entre as empresas Árabes e as empresas Portuguesas, proporcionando um vasto conjunto de serviços, dos quais destacamos:

- Informações sobre Oportunidades de Negócio, Contactos Comerciais;
- Estudos Económicos e de Mercado;
- Missões Económicas Privadas e Multisectoriais que constituem o mecanismo mais rápido e direto para a internacionalização das empresas Portuguesas através da organização de encontros e reuniões;
- Vinda de Homens de Negócio dos Países Árabes;
- Stands em Feiras a fim de prestar a colaboração necessária aos participantes;
- Publicações de temas atuais e relevantes através da Revista, Parceria (newsletter), Económica e Website;
- Direito Internacional e Apoio Jurídico;

- Enquadramento no processo de conciliação, arbitragem, e peritagem do sistema Euro-Árabe de Arbitragem;
- Traduções e Retroversões;
- Legalização de toda a documentação diretamente envolvida na exportação de produtos para os Países Árabes, assim como de toda a documentação relativa a candidaturas a concursos públicos internacionais e a registo de medicamentos, e Emissão de Certificados de Origem.

Ser associado da CCIAP significa pertencer a um universo empresarial destinto de muitos outros. Além de usufruírem de contacto com outras empresas associadas com a possibilidade de *networking* e troca de informação, ficam expostos às mais de 300 Federações e Câmaras de Comércio dos 22 Países da Liga dos Estados Árabes.

2. Que atividades específicas é que a CCIAP desenvolve?

Answer: As principais atividades desenvolvidas pela CCIAP e que visam simplificar a internacionalização das empresas Portuguesas são as seguintes:

- Eventos:
 - Organização de Missões Económicas Privadas, Missões Económicas Sectoriais e Missões Económicas Multisectoriais aos Países Árabes;
 - Organização e participação em Seminários, Conferências, Sessões de Esclarecimento, Colóquios, Mesas redondas;
 - Organização de Fóruns Económicos e Empresariais sobre múltiplos temas de interesse económico e cultural em Portugal e nos Países Árabes;
 - Stands em Feiras a fim de prestar a colaboração necessária aos participantes.
- Serviços:
 - Oportunidades de Negócio e/ou de Investimento;
 - Informação de Concursos Públicos Internacionais nos mais diversos sectores de atividade;

- Elaboração de listagens de Informações e contactos comerciais nos Países Árabes que a CCIAP representa;
- Desenvolvimento de estudos económicos e estudos de mercado sobre Países representados pela CCIAP;
- Legislação e Documentação para Negócios no Mundo Árabe;
- Serviços de traduções e retroversões nas mais distintas áreas e nas línguas Árabe, Francês, Inglês e Português;
- Publicações de temas atuais e relevantes através da Revista “Al-Tijariyah”, das Newsletters Parceria (“Al-Sharaka”) e Económica (“Al-Iktissadia”) e notícias no Website;
- Formação: Curso de Língua e Cultura Árabe;
- Divulgação de eventos e feiras nos Países Árabes.

3. Quais os principais desafios com que a CCIAP se defronta atualmente?

Answer: O ambiente empresarial atual é extremamente competitivo o que faz com que as empresas tenham de ter um conhecimento bastante aprofundado do mercado em que atuam. A Answer ao aumento da concorrência passa pela aposta na internacionalização, aumento da competitividade e a possibilidade de conquistar novos mercados.

Para que as empresas possam avançar para um processo de internacionalização, é necessário que conheçam bem o mercado onde se inserem e identifiquem os sinais e as tendências de mercado, indispensáveis para um melhor posicionamento estratégico empresarial.

A missão da CCIAP passa precisamente por apoiar as empresas portuguesas nestes processos de internacionalização e tentar perceber/identificar qual a melhor forma de as auxiliar na sua aproximação aos mercados árabes. O conhecimento das características do mercado, incluindo a forma de entrada nos mesmos, o clima de negócios, estrutura do mercado e das empresas e dos recursos humanos são fatores fundamentais para que as empresas portuguesas possam fundamentar as suas escolhas e decisões de internacionalização, relativamente aos quais a CCIAP tem um papel preponderante face ao conhecimento que detém dos mesmos.

4. A CCIAP mantém relações privilegiadas com os governos dos países do Médio Oriente, ou trata-se apenas de uma associação que funciona paralelamente aos governos vigentes?

Answer: A CCIAP é uma Câmara Árabe Mista, reconhecida oficialmente por organismos altamente responsáveis do Mundo Árabe e detém relações privilegiadas com as Entidades Oficiais e Institucionais, tais como:

- Liga dos Estados Árabes;
- União Geral das Câmaras de Comércio, Indústria e Agricultura dos Países Árabes, abrangendo a totalidade de mais de 400 Federações e Câmaras de Comércio, Indústria, Agricultura e Serviços de toda a zona geográfica árabe;
- Conselho Económico e Social Árabe, o que lhe confere, real e genuinamente, a representação em Portugal dos países da Liga dos Estados Árabes e das Câmaras de Comércio Árabes, sendo que são os parceiros oficiais da CCIAP.

5. Portugal possui uma relação privilegiada com algum dos países do Médio Oriente, tanto a nível económico, como em relação a acordos estabelecidos a diferentes níveis?

Answer: As relações económicas entre Portugal e os 22 Países da Liga dos Estados Árabes apresentam um constante crescimento, tendo quadruplicado na última década, tornando este grupo de Países o 2.º *partner* de Portugal a seguir à Europa. Com efeito nos últimos 10 anos consolidaram-se, sendo que são a base para a criação de parcerias profícuas e que beneficiam tanto Portugal, como os Países Árabes.

Existem vários protocolos estabelecidos entre o Estado Português e o conjunto dos 22 países que a CCIAP representa, que são já parceiros habituais de Portugal em termos de comércio externo.

Poderá consultar os diversos acordos celebrados entre Portugal e os Países Árabes no nosso website: www.cciap.pt. No que respeita aos acordos celebrados entre a União Europeia e os Países Árabes, os mesmos poderão ser igualmente consultados no site da CCIAP.

6. As empresas portuguesas, quando ingressam na CCIAP, procuram algum país específico para exportação/investimento direto ou apostam numa estratégia mais global? Neste contexto, qual o país mais procurado?

Answer: Os 22 Países Árabes que a CCIAP representa são díspares do ponto de vista económico e empresarial. O interesse das empresas portuguesas nestes mercados varia conforme as respetivas estratégias de internacionalização e sectores de atividade. Nesse sentido, a CCIAP recebe solicitações de apoio e tem como associados empresas com interesse nos mais diversos mercados e não é possível fazer uma diferenciação clara de países específicos como sendo alvo de maior interesse.

7. Até que ponto a cultura do Médio Oriente, mais especificamente dos Emirados Árabes Unidos, influencia a procura do mesmo como destino de exportação ou de investimento por parte das empresas portuguesas?

Answer: Os EAU têm uma localização geográfica privilegiada, sendo um ponto de encontro para o comércio mundial e considerados a porta de entrada para os mercados da Ásia, Europa e África. Atualmente são uma das mais abertas e bem-sucedidas economias do mundo e um importante *player* a nível das questões regionais e internacionais.

O País ocupa uma posição internacional muito importante, como resultado natural das suas políticas económicas e comerciais, que se baseiam na abertura da economia, no livre comércio e no investimento de uma grande parte das suas receitas provenientes do petróleo na construção de infra-estruturas avançadas, num sector económico sólido e no desenvolvimento de sectores não petrolíferos com o objetivo de diversificar e aumentar suas fontes de rendimento.

Os Emirados Árabes Unidos dedicam especial importância ao desenvolvimento de relações económicas com os outros países do mundo, sendo signatários de mais de 30 acordos de cooperação nas áreas económicas e comerciais a nível regional e internacional, com destaque para a adesão ao Acordo Geral de Tarifas e Comércio e à Organização Mundial de Comércio, promovendo a liberalização da economia e do

comércio através da concessão de vantagens e incentivos ao investimento, e assumem grande preponderância na esfera da internacionalização das empresas portuguesas.